

**IMPORTANT - PLEASE READ**

The Special Election Options described in this document are subject to review by state insurance regulators and any limitations imposed by state Partnership Plan requirements.

Even if the Special Election Options are permitted by your state's insurance regulator, the availability of particular Special Election Options also will depend on each policyholder's individual circumstances, including specific policy terms, benefits, and premiums.

Each of the Special Election Options described in this document will not necessarily be available to every settlement class member.

## APPENDIX C

### SPECIAL ELECTION OPTIONS

Below are Special Election Options pursuant to paragraph 66(b) of the Settlement Agreement. Pursuant to paragraph 66(h) of the Settlement Agreement, Special Election Options are only available to Class Members whose policies are in force when the Special Election Option is elected. To the extent that any State Regulator objects to one or more of the options set forth below, that option will not be made available to Class Members whose policies are regulated by that State.

#### I. Special Election Options For Class Members With Policies That Are Not In Non-Forfeiture Status

Class Members who have policies that are **not** in Non-Forfeiture Status, excluding Class Members whose level of benefits are below the level of benefits available in the defined option, will receive the following Special Election Options:

##### A. Paid-Up Benefit Options

1. A settlement option consisting of two components: **(a)** a paid-up benefit equivalent to 100% of the Class Member's paid in premiums less \$10,000 and less claims paid over the lifetime of the policy, and **(b)** a damages payment of \$10,000. The total paid-up benefit amount available under this option shall not exceed the Class Member's current, actual lifetime maximum at the time his or her election is processed, less the Class Member's damages payment under this option.
2. A settlement option consisting of a paid-up benefit option equivalent to **1.5 times** the difference between the Class Member's paid-in premiums to date less claims paid to the Class Member to date. The total paid-up benefit amount available under this option is capped at the actual lifetime maximum provided for under the electing Class Member's policy. This option will **not** include any damages payment.

## **B. Reduced Benefit Options (“RBOs”)<sup>2</sup>**

Class Members who currently have in force policies, *excluding* (1) Class Members who previously elected a SPO, or FBO, and/or (2) Class Members whose level of benefits are below the level of benefits available in the defined option, will have the following options:

1. For Class Members with a Benefit Inflation Option (“BIO”), a settlement option consisting of two components: **(a)** a change in the Class Member’s policy benefits that removes BIO with a reduction of their Daily/Monthly Benefit Amount (“D/M BA”) to their original D/M BA (*i.e.*, the D/M BA that he or she had prior to any BIO increases)<sup>3</sup> for a reduced annual premium, and **(b)** a damages payment of \$6,000.
2. For Class Members with BIO whose policies are regulated by States that have approved 1% compound BIO, a settlement option consisting of two components: **(a)** a change in the Class Member’s policy benefits that reduces his/her BIO benefit to 1% compound inflation and recalculates his/her D/M BA by applying 1% compound inflation to his/her original benefit amount,<sup>4</sup> and **(b)** a damages payment of \$6,000.
3. A settlement option consisting of two components: **(a)** a change in the Class Member’s policy benefits that removes BIO (for those Class Members who have BIO), retains the Class Member’s D/M BA, and for Class Members with a benefit period that is greater than three (3) years (four (4) years for shared policies), reduces the existing benefit period to three (3) years (four (4) years for Class Members with shared policies), and **(b)** a damages payment of \$6,000.

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<sup>2</sup> RBOs may be available to Class Members with Partnership Plans, subject to all other requirements, even if those options may result in the loss of Partnership Status. However, Reduced Benefit Options may not be available to Partnership Plans issued in California, Connecticut, Indiana, or New York (“Restrictive Partnership States”) if those options may result in the loss of Partnership Status.

<sup>3</sup> In some cases, Class Members may have made changes to their policies resulting in a recalculated original D/M BA, in which case, the recalculated original D/M BA will be used in connection with this Special Election Option.

<sup>4</sup> In some cases, Class Members may have made changes to their policies resulting in a recalculated original D/M BA, in which case, the recalculated D/M BA will be used in connection with this Special Election Option.

4. For Class Members with BIO and a lifetime benefit period, a settlement option consisting of two components: **(a)** a reduction of the Class Member's existing lifetime benefit period to a six year benefit period and a reduction to his or her current D/M BA (after benefit inflation) by 25%, and **(b)** a damages payment equal to \$3,000.

Class Members who currently have in force policies, *excluding* Class Members who previously elected a FBO, and/or Class Members whose level of benefits are below the level of benefits available in the defined option, will have the following option:

5. A settlement option consisting of two components: **(a)** a reduction of the Class Member's D/M BA by 25%, and **(b)** a damages payment of \$1,200.

## **II. Special Election Options For Class Members In Fully Paid-Up Status**

1. A settlement option consisting of two components: **(a)** a paid-up benefit equivalent to 100% of the Class Member's paid in premiums less \$10,000 and less claims paid over the lifetime of the policy, and **(b)** a damages payment of \$10,000. The total paid-up benefit amount available under this option shall not exceed the Class Member's current, actual lifetime maximum at the time his or her election is processed less the Class Member's damages payment under this option.
2. A settlement option consisting of two components: **(a)** a reduction of the Class Member's existing benefit period to the next lowest benefit option available (in the case for Class Members in a Fully Paid-Up Status that have unlimited benefit period policies, a six (6) year benefit period) and a reduction to his or her current D/M BA (after benefit inflation) by 25%, and **(b)** a damages payment equal to \$6,000.<sup>5</sup>

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<sup>5</sup>This RBO may be available to Class Members with Partnership Plans, subject to all other requirements, even if those options may result in the loss of Partnership Status. However, RBOs may not be available to Partnership Plans issued in Restrictive Partnership States if those options may result in the loss of Partnership Status.

**III. Special Election Option For Class Members In Non-Forfeiture Status**

1. Class Members who were in Non-Forfeiture Status after January 1, 2014 but prior to making an election in this settlement will be provided with an option to elect a damages payment of \$1,250 and retain their current paid-up benefit.

**IV. Special Election Options For Class Members In States That Do Not Allow The Disclosures Or Any Applicable Special Election Options To Be Provided**

To the extent that any State refuses to allow any form of the Disclosures and the Special Election Options agreed to in the underlying Agreement, the Class Members in that State will be offered:

1. For Class Members whose policies are still in force, an option to elect a \$100 credit against future Class Policy premiums.
2. For Class Members whose Class Policies are in Non-Forfeiture Status only, an option to elect a \$100 one-time credit to the Class Members' current benefit pool.